



## MINUTES

**Board Members Present:** Robert Harvey; Jean Becker; David Stewart; Glen Lee; Lou Walter, Sherri Crawford

**Board Members Absent:** Councilmember Tim Burgess

**SCERS Staff Present:** Cecelia M. Carter; Mike Akiyama; Tony Smith; Ben Kalman; Beverly Yapp; Lisa Carns

**Others Present:** Gavin Parr, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Jeff Slayton, Seattle City Attorney's Office; John McCoy, Legislative Central Staff; Steve Kovac, Seattle City Light; Tom Kirn, Finance and Administration Services; George Emerson, Finance and Administration Services; Diana Douglas, Local 17; Jessica Wang, City Budget Office; Rod Rich, Finance and Administration Services; Deanna Hobson, Pugh Capital; John Masterjohn, Retiree; Kenny Yager, Retiree; Nick Collier, Milliman; Jennifer Sorensen, Milliman.

Mr. Glen Lee called the meeting to order at 9:05am.

Ms. Cecelia Carter, SCERS Executive Director asked for a moment and thanked Mr. Rod Rich for his service on the SCERS Board 2006-2012. The Board members also expressed their appreciation for his service.

**Public Comment:** No public comment.

### Administrative Consent Agenda

#### Minutes:

Provided in the Retirement Board packet was the minutes from the June 14, 2012 Retirement Board regular meeting.

### Ratification of Retired Payroll, Office Payroll, Other Payments and Withdrawals

Service	\$9,826,354.98
Beneficiary	\$901,415.08
Disability	\$76,284.56
Pension Payroll – PPE June 30, 2012	<u>\$10,870,713.62</u>
Office Payroll – PPE June 5 and 19, 2012	\$77,243.12
Vouchers Processed – June 30, 2012	\$102,113.12
*Expert and Consultant Services – \$7,956.60	
*Investment Management Fees – \$15,987.53	
*Interdepartmental Charges - \$63,242.60	
*Miscellaneous - \$14,926.39	

### Immediate Withdrawals of Contributions for the month of June 2012:

Member	Department Name	Position
Baumgart, Susan M	DoIT	Personnel Spec Sr
Blanks, Cynthia Ann	Seattle Center	Admin Staff Asst
Christen, Tina L	SDOT	Accountant
Decastro, Desiderio Selda	Police	Crossing Guard
Decastro, Monica Badere	Police	Crossing Guard
Gregory-VanDyke, Michelle E	Seattle Center	Stage Tech
Harris, Bridgett D	Seattle Center	Janitor
Haywood, Troy J	Fleets	Auto Mechanic
Hilliard, Tracey Lynn	Personnel	Benefits Spec
Kamoto, Ameti	SDOT	Cement Finisher
Lane, Paula Ann	FAS	Admin Spec I

Member	Department Name	Position
Le, Charlie	Parks	Maint Labor
<b>Masters, Lynne</b>	<b>DoIT</b>	<b>Mgmt Systems</b>
Miller, Larissa N	City Light	Tour Guard II
Rockwell, Bienvenido V	Parks	Program Aide
Segovia, Olga	City Light	Manager 2
Sugawara, Carol	City Light	Admin Spec III
Van Trojen, Steven E	FAS	Vehicle Maint
Wergeland, Kari	Library	Librarian
Wiedenhof, Jan E	HSD	Program Intake Rep
Williams, Anna Marie	Seattle Center	Admissions

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

**Withdrawals for a total of: \$579,051.29**

#### **Ratification of Service Retirements for the month of June**

Retiree	RetireDt	Years	Days	DeptName	Position	Age
Atayde, Teresita V.	5/8/2012	25	199	FAS	Accountant Prin	62
Bedker, Carol A	5/9/2012	20	8	Police	Data Tech	65
Bennedsen, Elizabeth A	4/16/2012	0	245	Vested	Portability	68
Blankenship, Cheryl K.	5/7/2012	13	124	Vested		65
Brown, Cheri K	5/9/2012	31	8	SPU	Actg Tech III-BU	54
Carr, Elizabeth H	5/8/2012	6	72	Library	Librarian	64
Casey, Patricia A	5/5/2012	6	139	Vested		63
Galinato, Victoria	4/25/2012	25	262	FAS	Executive 2	62
Goldberg, Jennie S	4/17/2012	21	131	City Light	Strat Advsr 2	58
Holden, Steve	5/4/2012	32	81	SPU	Const&Maint Equip Op, Sr.	51
<b>Howard, Mark J</b>	<b>5/4/2012</b>	<b>37</b>	<b>18</b>	<b>Police</b>	<b>Strat Advsr 2</b>	<b>60</b>
Nolze, Joseph	4/28/2012	19	38	Parks	Metal Fabricator	59
Quinn, Michael A	5/9/2012	16	127	Police	StratAdvsr2	66
Robinson, Kimberly S.	5/7/2012	21	38	Vested		53
<b>Shiratori, Faye M</b>	<b>5/2/2012</b>	<b>38</b>	<b>22</b>	<b>DoIT</b>	<b>Telephone Services</b>	<b>66</b>
*Shultz, Susan (Shultz, Paul Beneficiary)	2/9/2012	25		Parks	Admin Spec II	65
<b>Sugiyama, Richard M</b>	<b>5/2/2012</b>	<b>31</b>	<b>220</b>	<b>Human Services</b>	<b>Manager 3</b>	<b>64</b>
Washer-Ezelle, Savannah	5/2/2012	21	232	SPU	Heavy Truck Driver	61
Wong, Millie S	4/20/2012	25	244	Human Services	Financial Analyst Supervisor	66
Wu, Stanley L	5/9/2012	27	357	DoIT	Exec. 2	69
Young, Roy	4/27/2012	14	246	SDOT	Gardener	64

For the month of June: 23 new Members entered the System, 40 terminations, 20 Members retired in the System, 12 Members removed (\$14,641.01), 1 Option C, 2 Option D/E continuations, 1 Option F.

#### **Motion:**

Upon motion by David Stewart, seconded by Jean Becker, the Retirement Board approved the below items contained in the Administrative Consent Agenda.

- Minutes of the June 14, 2012, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of June 2012

## **Investment Consent Agenda**

### **Investment Committee Report**

The Investment Committee met on June 28, 2012 at 12noon at the Seattle City Employees' Retirement System Office, 720 Third Avenue, Suite 900 (Pacific Building). Committee members present: Lou Walter, Chair; Bob Harvey; Glen Lee; David Stewart. Other Board members present: Jean Becker, Member. SCERS Staff Present: Cecelia Carter, Executive Director; Tony Smith; Ben Kalman; Mike Akiyama; Beverly Yapp; Lisa Carns. Others Present: Carlton Seu, Seattle City Attorney's Office; Neil Rue, Pension Consulting Alliance; David Sancewich, Pension Consulting Alliance; Mike Moy, Pension Consulting Alliance and Tad Ferguson, Pension Consulting Alliance; Christy Fields, Pension Consulting Alliance; Austin Carmichael; Pension Consulting Alliance; John McCoy, Legislative Central Staff; Jessica Wang, Budget Office.

Mr. Tony Smith provided an overview of the June 28, 2012 Investment Committee meeting.

### **Investment Summary Accounting Report:**

Provided in the Retirement Board packet was the Investment Summary report that represents the transaction summary and the market value of the investments as of May 31, 2012. Mr. Tony Smith, SCERS staff reported the SCERS Total Portfolio had a plan market value of \$1.78 billion. As of the report date, the funded ratio for the plan was 60.26%. SCERS received its final holdback of \$1,409, 861 from the Advent Convertible Arbitrage Fund. The market as a whole was volatile for the month of May.

Carlton Seu arrived at 9:10am

### **Emerging Markets Manager Search Finalists Follow-up:**

Mr. Tony Smith reported three finalists were chosen to be interviewed by the Investment Committee on July 26, 2012. The three finalists chosen are: Quantitative Management Associates (QMA), J.P. Morgan, and Dimensional Fund Advisors(DFA).

### **SCERS Strategic Investment Allocation Review**

Mr. Tony Smith reported PCA conducted a review of SCERS' current strategic investment allocation based on updated 2012 capital market assumptions per staff request. PCA estimates the expected long-term compound return will be close to 7.3% over the next 10 year time horizon. PCA estimate is based on applying PCA's 2012 capital market assumptions to SCERS policy portfolio.

### **Real Estate Portfolio Performance Report as of December 31, 2011**

Mr. Tony Smith reported as of the report date of December 31, 2011, the SCERS Real Estate Portfolio had a net asset value of \$195.4 million. This reflects an increase in market value of 3.5% relative to the third quarter of 2011. During the fourth quarter, the Real Estate Portfolio outperformed the benchmark, the NCREIF ODCE, on both a gross and net-of-fee basis, although it underperformed for the trailing one-year, three-year and five-year period.

### **Private Equity Portfolio Performance Report as of December 31, 2011**

Mr. Tony Smith reported as of the report date of December 31, 2011, the SCERS Private Equity Partnership Program had \$104 million in commitments across nine partnerships, \$103.8 million in capital drawn down, \$73.2 million in distributions, and a reported value of \$49.6 million. The net IRR since inception as of December 31, 2011 was 5.5%, improving from June 30, 2011 net IRR since inception of 5.1%. The program outperformed its benchmark (the Russell 3000 Index plus 300 basis points) over the one-year, five-year, and since inception time periods, although it underperformed during the three-year period. SCERS' Private Equity exposure is approximately 2.8%, well below the 5.0% target for 2012.

Mr. Glen Lee asked staff for an update on the Covered Calls. Mr. Tony Smith conveyed the contracts are with the attorneys.

Bob Harvey arrived at 9:17am

<b><u>Motion:</u></b>	Upon motion by David Stewart, seconded by Jean Becker, the Retirement Board accepted the Investment Consent Agenda.
-----------------------	---

Mr. Bob Harvey assumed the role of meeting chairperson at 9:18am.

## **Executive Director Report:**

### **Ms. Katherine Bursett Disability Retirement Application**

Ms. Cecelia Carter, SCERS Executive Director asked the Board to approve the member's disability retirement request with an effective date of July 3, 2012. Ms. Carter reminded the Board members of the history of this application and acknowledged the new Board Member Sherri Crawford was not familiar with this application. This disability retirement application caused the Board to evaluate policy and city code. As a result, Code was changed to better align the Seattle Municipal Code and SCERS policy with Board and City sentiment with regards to City employees and future City employees.

Ms. Diana Douglas thanked the Board for reviewing the policies and ordinance surrounding disability retirement.

Mr. Bob Harvey stated that the Board strives to provide the right services to its members.

**Motion:** Upon motion of David Stewart, seconded by Glen Lee, the Board approved Ms. Katherine Bursett's Disability Retirement application with an effective date of July 3, 2012.

Mr. Lou Walter arrived at 9:21am

Mr. Lou Walter assumed the role of meeting chairperson at 9:22am.

### **RFP for Independent Audit Services for Calendar Years 2012-2015**

Ms. Carter, SCERS Executive Director stated the independent auditor, Moss Adams contract ended 2011. Ms. Carter requested the Board approve the issuance of an RFP for years 2012-2015 audit services. The goal is to complete process by year-end 2012.

**Motion:** Upon motion of Jean Becker, seconded by Bob Harvey, the Board approved the SCERS Executive Director to initiate a RFP seeking independent audit service for calendar years 2012-2015.

Ms. Carter provided two articles for the Board to review as educational materials. The articles relate to public pension plans and the assumed return rates.

Ms. Carter reported the refund check for Mr. Chau Quang (Joseph) Phan's employee contributions was given to the Seattle City Attorney's office per the stipulation and modified agreed preliminary injunction (Superior Court, King County Washington). The net amount of the check was \$96,127.61.

## **New Business**

### **Presentation of January 1, 2012 Valuation Report**

Nick Collier and Jennifer Sorensen with Milliman presented the Valuation Report for January 1, 2012 to the Board. Mr. Collier opened the presentation providing an overview of what will be presented. Ms. Sorensen reported the actuarial funding ratio decreased from 74.3% in 2011 to 68.3% in 2012. The total contribution rate needed over a 30-year period to fund the Total Cost and the UAAL is 22.92%. The current employer contribution rate is 11.01% and Milliman recommends an increase to 12.89% effective January 2013; presuming the employee contribution rate remains at 10.03%. This is in spite of the fact the Normal Cost as a percent of salary has decreased from 15.19% down to 14.95%. The decrease in the actuarial funding ratio is due to the investment loss experienced in 2011 (down 4 basis points). Ms. Carter reminded the Board the stated payroll was also down in 2011 compared with 2010 (in millions: \$557 in 2011 compared to \$563 in 2010). Mr. Lee noted the decline in covered payroll was anticipated given the layoffs that occurred. Ms. Sorensen continued with a notation there was a revision of data records from 2010 to 2011. Certain members records were not provided in 2010 compared with 2011 (approximately 70 records). The impact of the missing records cost the actuarial funding ratio approximately 70 basis points. There was discussion regarding the new GASB regulations. Mr. Collier stated the funding will not be affected by the GASB changes; it will affect the reporting standards. The Net Pension Liability will be recognized as a balance sheet liability on the basic financial statements, instead of as a notation in the disclosure notes. Mr. Lee recognized the new rules could possibly imply separate liability reporting by SCERS to accommodate the underlying city departments of the Retirement System and their respective reporting needs. Ms. Carter stated she was aware and taking the department needs into consideration. Mr. Walter injected that as a trustee he wants to ensure the employer is meeting the ARC and funding requirements. Mr. Lee expressed the GASB changes concern the reporting of the liability rather than the ARC.

**Motion:** Upon motion of Bob Harvey, seconded by Jean Becker, the Board accepted the January 1, 2012 Valuation Report for the Seattle City Employees' Retirement System.

### **2013-2014 Biennial Budget (Draft) Presentation**

Mr. Akiyama, SCERS Finance and Budget Manager presented the SCERS budget for 2013-2014 and an overview on what is driving the changes. The core changes are due to personnel and manager fees and professional services. Ms. Carter proposed the need to hire a consultant to assist with reviewing and implementing a new pension system. All Board members agreed that they could not approve the budget as presented. The Board requested more information outlining the strategic goal for the management fees, personnel, new pension system and overall as a department. Mr. Lee recommended a separate committee to review SCERS budget. The 2013-2014 Biennial Budget item was tabled to be re-presented at the August 9<sup>th</sup> Board meeting. No action necessary.

### **Trustee report on NCPERS – May 2012 (NYC)**

Mr. Lou Walter conveyed to the Board that he highly recommends the trustees attend the TEDS conference. Mr. Walter will email additional materials to the Board members.

Mr. Seu introduced Mr. Jeff Slayton, Assistant Attorney at the Seattle City Attorney's Office. Mr. Slayton will assist Mr. Seu on legal matters relating to the Board.

Mr. Lou Walter introduced Mr. Gavin Parr, Attorney with Song Mondress. Mr. Parr was present on behalf of Mr. Monaco.

### **Status of Benefit Enhancements:**

**Information:** The **estimated** current funding level of the Retirement Fund is 60.26% as of May 31, 2012 on a marked-to-market basis. The above amount is an estimate calculated each month by the Retirement Office staff. As provided by Ordinance 120685, changes to the Floor COLA will occur once the funding level has reached at least 100% and has been confirmed by the Board after commissioning an actuarial valuation.

**The Board reserves the right to enter into executive session if necessary**

### **Adjournment:**

<b><u>Motion:</u></b>	Upon of motion Sherri Crawford, seconded by Bob Harvey the Retirement Board voted to adjourn the meeting at 10:40am.
-----------------------	--

---

David L. Stewart, Secretary